

MEMO# 8492

December 24, 1996

PROPOSED REPEAL OF ERISA'S LIMITED SCOPE AUDIT PROVISION

December 24, 1996 TO: BOARD OF GOVERNORS No. 65-96 ACCOUNTING/TREASURERS COMMITTEE No. 50-96 PENSION COMMITTEE No. 49-96 RE: PROPOSED REPEAL OF ERISA'S LIMITED SCOPE AUDIT PROVISION

As you may know, the limited scope audit provision of ERISA permits an auditor examining a pension plan's financial statements to rely upon a certified statement of a financial institution serving as plan trustee or custodian, in lieu of performing an audit of that financial institution. Thus, a mutual fund affiliate providing trust or custodial services to pension plans generally is not subject to audit by the auditors of those plans. Legislation to repeal ERISA's limited scope audit provision narrowly missed enactment in the last Congress and is likely to be reintroduced in the next session of Congress. The Institute has opposed this legislation because it would impose substantial additional costs and burdens on both retirement plans and financial institutions serving as plan trustees and custodians. The major auditing firms and the AICPA have actively supported the legislation, however. In the attached letter sent to each of the major mutual fund auditing firms, the Institute urges these firms to reconsider their position and oppose the limited scope audit repeal legislation. We will keep you informed of developments on this legislative proposal.

Catherine L. Heron Vice President and Senior Counsel Attachment

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